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IN THE  
**SUPREME COURT OF THE UNITED STATES.**

OCTOBER TERM, 1942.

No. 696.

A. W. ALTVATER and THE WESTERN SUPPLIES  
COMPANY,  
Petitioners,

v.

BENJAMIN W. FREEMAN and THE LOUIS G. FREEMAN CO.,  
Respondents.

**BRIEF FOR PETITIONERS.**

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**BRIEF FOR PETITIONERS.**

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**REPORTS OF OPINIONS OF THE  
COURTS BELOW.**

The District Court filed no opinion in this case, but entered findings of fact and conclusions of law, beginning page 79 of the record.

The first opinion of the Court of Appeals appears at 129 F. (2d) 494. The second opinion of the Court of Appeals, as a result of which this petition was filed, appears at 130 F. (2d) 763.

### **JURISDICTION.**

1. The original opinion of the Circuit Court of Appeals was entered July 15, 1942. Since this decision generally affirmed the District Court, petitioners had no right to seek certiorari therefrom, as they had won in all respects, including their counterclaim.

2. The ruling of the Circuit Court of Appeals on respondents' petition for rehearing, wherein it modified its former opinion and modified the decree of the District Court, was entered September 29, 1942. However, petition for rehearing of this was duly filed by petitioners here, and that petition for rehearing was not denied until November 3, 1942.

3. The statute under which jurisdiction is invoked is 240 (a) of the Judicial Code, 28 U. S. C. A. 347, as amended by the Act of February 13, 1925.

### **STATEMENT.**

On January 1, 1929, the parties hereto entered into a license contract (R. 7). This contract was based upon an original Patent 1,681,033 (R. 129) granted in 1928.

#### **The Patented Structure.**

The Freeman patent 1,681,033 related to a perforating machine for cutting openings in shoe uppers, such as are used on the women's shoes that are well known today. The machine itself included a bed upon which a cutting die could be mounted, and a pressing head to move down over the die and impale the work spread across the die, down onto the cutters of the die. Mounted over the die was a "stripper plate," spring pressed upwardly above the upper levels of the cutter blades of the die, but provided with holes to receive the cutters, whereby the plate could be depressed below the top edge of the cutters. The work rested on this

stripper plate, and when the presser head came down, it depressed the stripper plate down, and also forced the work over the die cutters. Upon withdrawal of the presser head, the springs forced the stripper plate upwardly again to lift the work off the die cutters and free it therefrom for removal from the machine.

These parts appear clearly in the Stanton patent (R. 690). In that patent the bed is at 7. A die holder 9 has a series of cutter blades 11. The stripper plate is at 13, it being urged upwardly by springs 27, but having holes to receive the die cutters 11 so that when the presser or punch block 15 is lowered, the stripper plate and the work laid thereon, may be depressed over the die cutters 11. A work aligning gauge is shown at 41.

Freeman claimed to have contributed in two ways to the above. Expressed broadly, these two claimed contributions were (1) a machine phase, comprising making the die support small enough to fit into a closed upper (i. e., an upper like a shoe before attachment of a sole thereto), and (2) a die phase, comprising applying a window-like gauge over the stripper plate to outline the portion of the work to be perforated, and to position the work relative to the die.

As will appear, the First Circuit Court of Appeals held the item (1) to be wholly unpatentable, and item (2) patentable only if very stringently restricted; and the Eighth Circuit Court of Appeals in the present case implied (without adjudging) that even as restricted, item (2) was not patentable.

These two phases, namely, the machine phase, and the die phase of the Freeman patent structure must be borne in mind. Originally, both phases were included within one patent 1,681,033. Later, as will appear, Freeman reissued his patent and separated the two phases, obtaining one re-issue on the machine (Re. 20,203) and another on the dies (Re. 20,202).

### **The 1929 License Provisions.**

As noted, the January, 1929 license was based upon the original patent. This license separated the two phases of the Freeman patent by including (1) a negative covenant by which petitioners agreed not to sell machines coming within the Freeman patent (R. 10, ¶8). Petitioners were given a right to make large payments of money for obtaining freedom for continued use by petitioners' customers, of a number of machines petitioners had put out prior to the contract (*id.*). The license included (2) a grant of a territorially limited license to petitioner to sell dies coming under the die phase of the patent, at a royalty (R. 8, ¶1). This last grant of license was restricted in that petitioners could sell the licensed dies only to holders of machine licenses. Petitioners could not sell patented dies to unlicensed machines even though they might be capable of use thereon.

This last limitation intimates the nature of Freeman's operations under his patents which will be discussed hereinafter.

### **The First Freeman v. Altvater Suit, 66 F. (2d) 506.**

Very shortly after the execution of the 1929 contract between the parties, petitioners offered for sale a machine different from that shown in the Freeman patent. It was also different from those other machines formerly manufactured by petitioners and for which petitioners had paid the high license fee of \$100.00 each to free them from claims of these respondents. This later machine, called the Model T, was felt by petitioners to be without the scope of the monopoly of the Freeman patent. Freeman, however, thought otherwise, and sued petitioners. The District Court in that suit held with petitioners that the Model T machine did not infringe. The Court of Appeals reversed, 66 F. (2d) 506, holding the Model T machine to be within the scope of the Freeman patent.\*

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\*Validity was not at issue in that first suit.

Thus, it will be seen that the first suit was based upon a charge of violation by petitioners herein of the negative covenant of the 1929 agreement not to make machines coming within the Freeman monopoly. That suit is now in the accounting stages.

### **The Freeman v. Premier Suit, 84 F. (2d) 425.**

After the decision of the Court of Appeals below in the first *Freeman v. Altvater* suit, a decision came down in extraneous litigation in the First Circuit Court of Appeals which we shall refer to as the *Premier* decision.\*

The *Premier* case was an ordinary ex delicto patent suit brought by Freeman against Premier Machine Company for infringement of 26 claims of the original Freeman patent. Twenty-three of these claims were held completely invalid, and the remaining three were limited to a substantially exact reproduction of the patent disclosure. The three valid claims were die claims. As to all of the machine claims there in issue, the First Circuit Court of Appeals concisely said (84 F. [2d] 426):

“ \* \* \* Freeman did not invent a new machine. . . ”

### **The Disclaimer.**

After the *Premier* decision, and on November 11, 1936, Freeman disclaimed (R. 445) the 23 claims held invalid in the *Premier* decision. He did not disclaim other claims to equivalent subject matter.

### **The Reissues.**

On December 8, 1936, about one month after Freeman filed his disclaimer, Freeman obtained the grant of the two reissues of his original patent heretofore mentioned. He immediately pressed claims to rights under the reissues, upon petitioners (R. 468).

\**Premier Machine Co. v. Freeman*, 84 F. (2d) 425, certiorari denied, 299 U. S. 580.



Since under the Statute (R. S. 4916),\* a reissuance requires surrender of the original patent, the grant of the reissues terminated the original patent and the contract upon which it was based. The Circuit Court of Appeals in the present case found that the 1929 contract had terminated by December 8, 1936, and that it had not been renewed since. These points, it is assumed, are not open to question here because respondents did not petition for certiorari for the dismissal of their bill.\*\*

The reissues included claims to subject matter that was not distinguishable from subject matter invalidated by the First Circuit Court of Appeals and subsequently disclaimed by Freeman.

**The Cincinnati Suit, 109 F. (2d) 693.**

Shortly after the grant of the reissues, petitioners filed a separate suit for declaration of invalidity thereof at the domicile of respondents in the Federal Court in Cincinnati. Respondents moved to dismiss this declaratory bill. This dismissal was sustained by the Sixth Circuit Court of Appeals on the ground that all of the matters placed at issue therein could be decided by the courts below in the present suit. *Western Supplies Co. v. Freeman*, 109 F. (2d) 693.

\*R. S. 4916, 35 U. S. C. 64:

"Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent.

"Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent.

"The commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, \* \* \*."

\*\*Supreme Court Rule 38, Par. 2.

### **The Present Suit.**

Shortly prior to the *Premier* decision Freeman attempted to have certain flat bed dies included in the accounting in the first *Freeman v. Altvater* suit. When these were ruled out of the accounting, and when the District Court refused admission of a supplemental bill to include the dies in the first *Freeman v. Altvater* suit, respondents filed the present suit, charging a violation of the 1929 contract by the sale of these few flat bed dies without paying royalties on them. Petitioners had contended that these particular dies did not infringe the Freeman patent.

When the Freeman patent was reissued after the filing of the present suit, respondents filed a supplement to their complaint in the present suit (R. 39), alleging the substitution of the reissue patents in the contract, charging petitioners with infringement of these patents in violation of the contract, seeking specific performance of the contract with petitioners, an injunction and an accounting.

In response to this supplement petitioners answered (R. 40), denying infringement, denying violation of the contract, denying validity of the reissue patents. Petitioners also counterclaimed (R. 45) as will appear. Later, at the trial of the case, petitioners filed an amendment to their answer (R. 60) in which they set up the defense of unclean hands resulting from respondents' improper use of the patents to obtain monopolies beyond the scope thereof.

### **The Counterclaim.**

The counterclaim in the present suit requires separate treatment because its dismissal by order of the Court of Appeals below, is the one basis for the petition for certiorari in the present case.

By this counterclaim petitioners sought a declaration of invalidity of the reissue patents, setting up as the grounds of the invalidity, the impropriety of the disclaimer, the im-

propriety of adding new subject matter to the reissues, and also the invalidity of the reissues in the light of the *Premier* decision and the prior art. Petitioners have always based their claim to invalidity on the doctrine of eviction, since this position is always open to a licensee under a patent that has been declared in whole or in part invalid in litigation to which the licensee was not a party. *Ross v. Fuller & Warren Co.*, 105 F. 510; *Drackett Chemical Co. v. Chamberlain Co.*, 63 F. (2d) 853.

At the time the supplement to the complaint was filed by respondents, pleading the substitution of the reissue patents in the original contract and seeking the enforcement of rights under them, petitioners were confronted with the situation that their original contract had been terminated by respondents. They were, however, making a large number of dies within the scope of the original patent and within the apparent scope of the reissue patents. These dies were an entirely separate group from those two or three specifically accused by respondents in their complaint, because on the former petitioners were paying royalties, whereas, on the latter, petitioners had refused to pay royalties.

Hence, petitioners were confronted with a situation in which their legally instituted manufacture of dies was put in jeopardy by the termination of their license and by the obtaining of improper reissues, which respondents were making efforts to enforce against them. Therefore, the counterclaim was filed to have the reissues declared invalid.

#### **Respondents' Improper Use of the Patents.**

Since it is petitioners' position that unclean hands is ample reason for choosing to decide invalidity in preference to non-infringement, we shall set forth the nature of the activities of respondents which formed the basis for the finding by the District Court of unclean hands.

### **Record Sources of Unclean Hands.**

At first, let it be noted that the case on unclean hands comes from three sources in this record. The first source is the license contracts, Exhibits A-1 to A-23, inclusive. The second source is the testimony of Mary Gibbons (R. 468), saying that the contracts, Exhibits A-1 to A-23, are still in force (R. 477).<sup>\*</sup> The third source of evidence consists in certain interrogatories, the answers thereto, and the lease exhibits annexed to the answers, all of which appear in the Record from pages 60 to 78, inclusive. From this evidence, certain conclusions may be drawn, and were drawn, by the District Court. Respondents offered no evidence in denial of any of this evidence.

### **Respondents' General System of Operation.**

The general system employed by respondents was that they should be the principal manufacturer of machines made under the patent, but that they should grant licenses to various die manufacturers to make dies for use on the aforesaid machines. In carrying out this policy, respondents made machines themselves, generally refusing licenses to others to make machines. Respondents leased their machines, but on condition that all patented dies should be bought from their die licensees. Respondents' die licenses required the die manufacturers to limit sales of the patented dies only to possessors of leased machines, although the dies were capable of use with other machines, the sale or use of which was thus restricted by the patent on dies rather than by any patent on such other machines.

It may be commented, in order to give a background for the District Court's decision, that this whole patent monopoly sprung up as a so-called settlement of interferences in which Freeman was involved (Exhs. A-2, A-3). The interferences included patent applications of the United

<sup>\*</sup>Except that Brockton Perforating Machine Co. terminated its license, and the Bee Machine Co. license is in litigation. Cf. *Freeman v. Bee Machine Co.*, 707, certiorari granted March 15, 1943

Shoe Machinery Company, the biggest shoe machinery manufacturer in the world, and certain inventors named Knight, who were already manufacturing the machine to which Freeman's invention, if it was an invention, was an appendage as the First Circuit Court of Appeals found in the *Premier* case, 84 F. (2d) 425.

In an amicable settlement of the interferences, all of the contestants delivered titles to their applications to Freeman, who was then free to issue such patents as he saw fit, but the Knights and the United Shoe Machinery Company were given more favorable positions in return for the assignment of their applications than were outside licensees. Hence the whole system took on itself attributes of a combination in restraint of trade.

In furtherance of the plan, Freeman then granted a number of licenses to *die* manufacturers. The scope of this licensing system is shown by Freeman's boast in the *Premier* case that substantially "all of the women's shoe manufacturers of any prominence in this country of any size" and "all the machine die manufacturers of any size in the United States" were, or are, licensees of Freeman (Exhibit 24 herein, page 48).

The First Circuit Court of Appeals found that Freeman controlled over 50% of the entire women's shoe industry (84 Fed. [2d] 428).

Thus, Freeman himself has stated that he controlled the machine situation by leases to all of the women's shoe manufacturers of any size, and that he controlled the die situation by licenses to all of the die manufacturers of any size.

All of the die licenses contained agreements by respective licensees that they would not make the patented machines. All contain restrictions against the sale of the licensed dies except to machines (patented or unpatented) made or licensed by Freeman.

As we understand the law, we are not compelled to make

out a case of violation of the Anti-trust Laws in order to show unclean hands of a sufficiently serious character as to defeat a suit in equity, more particularly one for specific performance, or to lay the basis for a declaratory bill that the patents sued upon are invalid. It is fairly evident, however, from the foregoing that the situation between respondents and their licensees had many of the attributes of a violation of the Anti-trust Laws. It is also true that an out and out violation of the Anti-trust Laws is sufficient ground to bar recovery on patents used in that violation. *United States v. Hartford-Empire Co.*, 46 F. Supp. 541.

It is sufficient for the present purposes to point out instances in which respondents have used their patents to obtain monopolies beyond the legitimate scope of the patents, whether or not such extensions comprise in the aggregate violations of the Anti-trust Laws. Consequently, in connection with the specific instances to follow, we comment that they may be considered together either (a) as implementations of the mutual agreement between respondents and their licensees, or (b) instances, which, taken individually, comprise examples of illegal extensions of the patent monopoly.

### **Specific Illustrations of Improper Practices.**

#### **1. RESPONDENTS IMPROPERLY REQUIRED MACHINE LESSEES TO BUY ALL PARTS AND DIES FROM THEM.**

In the first category, of leases for the use of machines by the shoe manufacturers, reference is first made to those typified by Exhibit X-8 (R. 68). This form of lease requires that the lessee buy *all* dies and parts for use in the operation of the machine from the Freeman Company.

There are many dies and parts usable with the Freeman machine that are not the subject matter of any of the claims of the original patent. Shoe cutting dies are a familiar commodity long antedating Freeman's patents. The



limitation in these contracts, therefore, is clearly a limitation requiring the lessees to purchase unpatented commodities for use in the licensed machine from the lessor. The acts of the patent owner in this respect are specifically condemned in the *Morton Salt* case\* as improper extensions of the patents.

a. *Alleged lack of enforcement of these clauses is no answer.*

Respondents have substantially conceded that the agreements under consideration are not defensible, but seek to avoid their effect by asserting that they were ineffective because not enforced (R. 72). There is no legal proof of this assertion, because it rests solely on *ex parte* statements in answers to interrogatories signed alone by counsel for respondents; but it is obvious that, even if the restrictions were not in fact enforced, their inclusion in contracts subsisting at the time this case was tried is sufficient to support the defense of unclean hands. They certainly stood as threats over the licensees for any violation of them.

The Supreme Court in a case of *United Shoe Machinery Corp. v. United States*, 258 U. S. 451, 66 L. ed. 708, specifically adjudicated this point adversely to respondents' contention. The Court there said (p. 717):

"The power to enforce them is omnipresent, and their restraining influence constantly operates upon competitors and lessees. The fact that the lessor, in many instances, forebore to enforce these provisions, does not make them any less agreements within the condemnation of the Clayton Act."

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\**Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488.

b. *The effort after the trial to remove the clauses cannot help this suit.*

The asserted delayed effort of respondents to remove the restrictions, proof of which is likewise lacking (R. 72), cannot avail. In the *B. B. Chemical* case,\* which was the companion case of the *Morton Salt* case, the patent owner sought the same method of escape by asserting that it offered to give unconditional licenses to manufacturers on a royalty basis, but the Court held that this eleventh-hour repentance was ineffective.

It is a fact worthy of comment that respondents were so reluctant to supply these leases that they did not comply with their agreement to do so made prior to the trial (R. 58), and repeatedly at the trial (R. 495, 821, 920), and did so only when petitioners forced them to do so four months *after the trial* (R. 60-78). Petitioners had learned that respondents, at long last compelled to look to their virtue, were hastily scouring the country for these outstanding leases. Only in May, 1940 (Ex. 13, R. 78), four months after the trial, did respondents attempt to save themselves by declaring the improper restrictions at an end.

Such belated virtue cannot save this case.

## 2. THE DIE LICENSES.

While unclean hands is adequately shown in the machine lease contracts alone, the entire course of licensing die makers exhibits a continuing and existing purpose on the part of this patent owner to restrict the sale of dies and parts beyond his patent monopoly. In the subsisting license contracts for the manufacture of dies, there are restrictive clauses that transcend the patent monopoly, and, therefore, clearly fall within the condemnation of the law as against public policy.

\**B. B. Chemical Co. v. Ellis*, 314 U. S. 495, 86 L. ed. 367.



a. *Respondents improperly restricted their licensees against selling any competing articles.*

Restrictions of licensees against selling any competing articles recur throughout the licenses granted by the respondent. They are exemplified in Exhibit A-5. Clause 7 of which provides that the licensee:

“ \* \* \* will not during the life of this contract make any/or sell any dies, anvils, or masks for use in forming cut-outs in shoe uppers, except those licensed hereunder, \* \* \* ”

Similar limitations appeared in Exhibits A-5, A-7, A-9, A-11, A-13 and A-17.

The clause constitutes an absolute restriction preventing the licensee from making or selling any dies, anvils or masks except those that come directly under the license. The restrictions, therefore, result in a direct control of the manufacture and sale of unpatented articles. The economic effect of these restrictions, adverse to the public, is obvious. Every die manufacturer under the restrictive license is prevented from dealing in any of the competitive devices for forming cut-outs in shoe uppers. Thus, under the guise of a grant of a license to make and sell the particular devices described and claimed in the patent, die manufacturers are excluded from supplying the market with any competing dies.

Respondents' licensees are prevented from engaging in a business in which the public has a right to engage, and are, therefore, prevented under the licenses from making or selling articles that the patent owner had no right to exclude. It is equally unlawful to prevent one from engaging in a business as to drive one out of business. *United States v. Reading Co.*, 253 U. S. 26; *United States v. Patterson*, 59 F. 280; *Thomsen v. Union*, 166 F. 251.

These restrictions preventing the licensee from dealing

in unpatented articles fall within the condemnation of the law crystallized in the *Morton Salt* case, *supra*, as against public policy. To restrict a licensee so that he cannot under his license make unpatented articles is obviously an illegal use of one phase of the patent monopoly paralleling that phase of requiring that a machine licensed under that patent be limited to use of unpatented articles obtained from the patent owner, condemned in the *Morton Salt* case. The condemnation of the restrictions rests in the law that, where a patent owner grants a license, he cannot as a condition of that license extend the monopoly beyond the control of the making, using and selling of the particular device described and claimed in the patent.

*b. Respondents improperly required payments of royalty on unpatented dies.*

After the issuance of the reissue patents, respondents persisted in writing licenses containing restrictions beyond the monopoly of the patent.\* An example of these restrictions is contained in Ex. A-19. By Clause 3 of this license, the licensee is required:

“ \* \* \* to pay \* \* \* royalty on \* \* \* anvil or post dies or dies to slide on an anvil, with or without masks and whether covered by said patents or not, \* \* \* ”

This is a flagrant abuse of the patent monopoly, because it, in terms, requires the payment of royalty for confessedly unpatented articles. It is particularly unconscionable and violative of public policy, because it extends the monopoly of the patent, under the guise of a license, to articles in which the public had an absolute right to deal, and which the public had a full right to purchase at prices not pegged by inclusion of a royalty.

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\*Those under the original patent remained in force after the reissues (R. 476).

*c. Respondents compelled a number of die licensees to contract that certain broad types of machines came under their patents.*

In addition to the foregoing restrictions Freeman compelled a number of his die licensees to contract that certain broad types of machines came within the scope of this patent (Exs. A-7, A-9, A-11, A-13, A-17). It will be remembered that these die licensees were agreeing not to make machines. It was perhaps legal for Freeman to establish *ex contractu* a prohibition against the manufacture of machines, which he had *ex delicto* under his patent, but it was not proper for him to write an excessively broad definition of the scope of his patent, in full disregard of what the claims themselves defined, and in full disregard of what the prior art might show. But this he did, and thereby actually wrote into a patent by agreements, monopolies over machines that otherwise would have been free thereof.

Thus, again, Freeman extended his patent monopoly not only to machines that might reasonably come under it, but also to other machines. Since these restrictions were parts of agreements not to manufacture, the result was that these die licensees agreed not only not to manufacture the Freeman machine as patented, but also agreed not to manufacture any competing machines, even though such competing machines might be beyond the scope of the patent itself.

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Respondents' entire patent policy is directed toward creation of a monopoly in the shoe cutting-out field, both of machines and of dies, all quite beyond the scope of any legitimate patent monopoly. In addition to the foregoing illegal restrictions discussed in connection with late decisions specifically condemning them, we call attention to the Knight contracts (Exs. A-3, A-4, A-18), by which territory is divided, competitors excluded, and competing patents combined, with joint control had between these par-

ties. Also the Manufacturers Supply Co. license (Ex. A-16) is a direct combination to control prices by agreement, without even the benefit of a patent license. This is *per se* a violation of the Anti-trust Acts. *Sola Electric Co. v. Jefferson Electric Co.*, ... U. S. ..., 87 L. ed. 150.

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It is beyond doubt that the foregoing acts of respondents extended their patent monopoly far beyond that granted by the Patent Office. The Brown Shoe Co. lease was in direct conflict with the *Morton Salt* case. The restrictions applied to licensees that they not make potentially competing unpatented dies or machines, are clearly the use of the patents as if they actually covered such unpatented dies and machines. The requirement of royalty payments on unpatented dies as a condition for a license under a patent can hardly be said to be in the public interest, or to promote lower prices.

#### **Rulings of the Courts Below.**

The Findings (R. 79), Conclusions (R. 85) and Judgment (R. 89) of the District Court held the acts of respondents were improper, that the patents are invalid, and not infringed by the two dies accused in the bill, that the complaint be dismissed, and that the counterclaim be sustained.

The Court of Appeals held that the two dies accused in the complaint did not infringe, that the question of unclean hands did not need to be decided, and that upon the decision of non-infringement "the other issues became moot and there was no longer a justiciable controversy between the parties" (130 F. [2d] 764). The Court of Appeals thereupon ordered modification of the decree by striking therefrom the decision for petitioners on the counterclaim. In short, the Court of Appeals dismissed the counterclaim, reversing the District Court thereon.

### **SPECIFICATION OF ERRORS.**

The Circuit Court of Appeals erred as follows:

1. In reversing the District Court's findings of invalidity of the reissue patents 20,202 and 20,203.

2. In failing to hold both reissue patents invalid for the reasons:

(a) the original patent had become invalid for improper disclaimer prior to the grant of the reissues, so that there was no basis for the reissues;

(b) the reissues included subject matter indistinct from the matter disclaimed from the original patent;

(c) the reissue patents included subject matter beyond the scope and intent of the original patent, and, indeed, disclaimed from that patent;

(d) the reissue patents included subject matter declared invalid by the First Circuit Court of Appeals in the *Premier* case; and

(e) the reissue patents included subject matter unpatentable over the prior art in view of the holdings of the First Circuit Court of Appeals in the *Premier* case.

3. In dismissing the counterclaim, which had been sustained by the District Court.

4. In holding that the findings of non-infringement as to the two certain dies fully determined the issues before the Court and rendered the other issues moot; whereas, as a matter of fact, the counterclaim involved issues on other and distinct dies concededly under the patents, if valid, and liability as to which is now wholly unsettled and undetermined.

## **SUMMARY OF ARGUMENT.**

I. The Court of Appeals erred in reversing the District Court's judgment of invalidity of the reissue patents.

1. The *Premier* decision.

(a) The *Premier* decision held that Freeman did not invent a new machine.

(b) The *Premier* decision on the mask claims.

2. The improper disclaimer.

3. The original Freeman patent became invalid for improper disclaimer prior to the reissues.

4. Invalidation of the original patent for improper disclaimer left nothing upon which to base a reissue.

5. The reissues are invalid for including subject matter indistinct from that disclaimed.

6. The reissues are invalid even if the *Maytag* rule is not applied.

(a) Claims carried over into the reissues:

(1) Claims retained and appearing in Reissue 20,203;

(a) Claims retained and appearing in Reissues 20,202.

(b) New claims appearing in the reissues are unpatentable:

(1) Reissue 20,203;

(a) Reissues 20,202.

II. The Court of Appeals established improper law as its bases for its reversal of the District Court. This should be overruled.

1. *Electrical Fittings Corp. v. Thomas & Betts Co.* does not support the Court of Appeals' refusal to decide invalidity.

2. The Court of Appeals erred in denying petitioners a right to counterclaim for invalidity.

(a) A defendant has a right to counterclaim for invalidity under the declaratory judgment act to insure adjudication of an issue made by bill and answer.

(b) If there is any choice in a court as to whether it will entertain a counterclaim for declaration of invalidity, existence of improper use of the patents compels entertaining of the counterclaim.

(c) In any case, the present counterclaim, raising issues not made by bill and answer, should not have been dismissed.



## ARGUMENT.

### I. The Court of Appeals Erred in Reversing the District Court's Judgment of Invalidity of the Reissue Patents.

The District Court held the reissue patents invalid for several reasons. Since many of these reasons grew out of the *Premier* decision, it is necessary to consider that case.

#### 1. The Premier decision.

The record of the *Premier* case appears herein as physical Exhibit 24. The opinion is reported at 84 F. (2d) 425. The *Premier* decision was based upon a suit by Freeman for contributory infringement of certain claims and direct infringement of others.

In the bill of complaint in the *Premier* decision (Ex. 24, p. 4, Cl. 6-a) Freeman alleged:

“Plaintiffs further say that the claims at issue in said (Freeman v. Altwater) were either the same or broader than the claims of the patent here in suit.”

Thus, Freeman at the outset took the position in the *Premier* case, expressly for the purpose of obtaining benefit of the Eighth Circuit Court's decision in *Freeman v. Altwater*, that the claims in the *Premier* case were not as broad as the ones in the *Altwater* case. The effect of taking such a position upon the broad claims of the *Altwater* litigation, when the narrower claims were held invalid in the *Premier* decision, is fairly obvious. As we shall show, he retained in his reissues some of these claims that were “the same or broader.”

As heretofore noted, Freeman's claims to contribution to the art were (1) that he made the die and its support small, so they could operate within a closed upper, and (2) that, following the suggestion of the old combination of gauge and clamp, he combined the old gauge and old win-



*dow* type of clamp into a single element called a mask. In some 94 claims in his original patent, he embellished these two features with various combinations of well-known elements of cut-out machines, such as single revolution clutches, backing paper, and the like, all old per se.

(a) **The Premier decision held that Freeman did not invent a new machine.**

The First Circuit Court of Appeals, at 84 F. (2d) 425, made the following findings as to Freeman's alleged invention of a machine:

The art of cutting out shoe uppers was old when Freeman entered the field.

Freeman did not design an entire new machine; he merely made certain changes in the old Knight machine.\*

Working on closed uppers long preceded Freeman.

The Wright machine\*\* in 1894 had a die support that was small so as to hold a small die that would fit inside a completed upper.

The combination of a small die on a columnar support was what was claimed to be the basic invention of Freeman; and it is fully and completely anticipated by Wright. It also was too simple to involve invention over the prior art.

Making a die small enough to fit into a closed upper "certainly did not involve invention."

Finally the Court said flatly: "Freeman did not invent a new machine."

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\*A Knight machine of this type was operated in the District Court at the trial hereof.

\*\*See R. 635.

(b) *The Premier decision on the mask claims.*

The First Circuit held three mask claims patentable. The mask is a plate employed in connection with the die to gauge the work relative to the die and to clamp the work to hold it during operation of the machine.

When the work is laid over the die, on the stripper plate, it conceals the die cutters, so that the operator of the machine cannot see them to locate the work properly with respect thereto. Consequently, some gauging means must be provided, and some means must be provided to hold the work in its selected location.

Freeman called his clamping gauge a mask. It comprised a plate having a window in it, the window being shaped approximately like the outline of the cut-out to be made, so that it could clamp the work all around (somewhat as does an embroidery hoop). Then, for gauging, Freeman made one of the edges of the window of the precise shape of some fixed part of the design on the upper, such as an appliqué, or a row of stitching. By this mask the work could be accurately gauged.

The First Circuit found window clamps to be old. It found straight or curved edges to be used as gauges to be old. And combined clamping and gauging devices were old. Despite this the Court held invention to lie in applying an old gauge to the edge of an old clamping window.

The Eighth Circuit in the present case seemed little impressed with the idea that the mask constituted invention. At 129 F. (2d) 500 the Eighth Circuit said that the First "did not specifically consider this with relation to the prior art." The Eighth Circuit notes the close similarity of Kemp, 573,274, and Cotton, 320,228, and remarks that the Knight dies (Exs. F, G, H) partially enclose the work, clamp it, and have curved gauging edges.

At best, the mask feature is of doubtful validity and highly restricted scope.

## 2. The improper disclaimer.

With the original patent in the foregoing condition of at least partial invalidity, Freeman, on November 11, 1936, following denial of certiorari in the *Premier* case, filed a disclaimer of the twenty-three claims held invalid, declaring in the disclaimer that (R. 445):

“\* \* \* the specification and claims of said letters patent are too broad, including that which was not an invention, and, hence, including that of which he was not the original inventor. Your petitioner therefore hereby enters this disclaimer to the following claims of said letters patent, to wit:

“Claims 6, 7, 8, 10 to 17, inclusive, 62, 65 to 69, inclusive, 71 to 74, inclusive, 79 and 94.”

Freeman thus said in clear language that the subject matter of these claims “was not an invention.”

The disclaimer was a constructive abandonment of the subject matter of the claims disclaimed, authorizing the public to make the structure thereof. *Altoona Publix Theatres v. American Tri-Ergon Corp.*, 294 U. S. 477, 79 L. ed. 1005. When Freeman disclaimed as a result of the *Premier* decision, he accepted as conclusive the decision in that case, which thereupon became the law of the patent. The statement of the Seventh Circuit in *Apex Electrical Mfg. Co. v. Maytag Co.*, 122 F. (2d) 182, 191, is squarely in point:

“\* \* \* Ordinarily the decision of one circuit court as to the validity of a patent claim does not affect the jurisdiction of any other circuit court hearing the same question and deciding it differently. However, the disclaimers have rendered it impossible to present those claims of this patent to any other court, except as permitted by Section 4917, because they can never be reclaimed under the Prachar patent.”

3. The original Freeman patent became invalid for improper disclaimer prior to the reissue.

The doctrine of *Maytag v. Hurley*, 307 U. S. 243, is that unless the claims retained differ in operation and result from the subject matter disclaimed the whole patent is invalid. See *Texas Co. v. Anderson-Prichard Refining Co.*, 122 F. 829 (C. C. A. 5); *Edwin L. Wiegand Co. v. Harold E. Trent Co.*, 122 F. (2d) 920, 923.

In *Texas Co. v. Anderson-Prichard Refining Corporation*, 122 F. (2d) 829, 842, the Fifth Circuit stated:

"The clean circulation claims of Behimer to be patentable must be inventively different from the claims surrendered to Dubbs, i. e., the specific details or limitations in the Behimer claims not found in the Dubbs claims must, when combined with the steps embraced in the latter, amount to invention over Dubbs."

See, also:

*Duraloy Co. v. Carnegie-Illinois Steel Corp.*, 52 USPQ 238, 43 F. Supp. 291.

In putting the *Maytag* rule into practice it is not necessary to consider a large number of claims. If a single claim be retained which is indistinguishable from any claim disclaimed the entire patent is invalid, for, in the *Maytag* case the patent contained thirty-nine claims, yet, the single improperly retained method claim, because of its indistinguishability from two disclaimed method claims, rendered not only itself but all of the thirty-six apparatus claims invalid.

For the present purpose, we employ three claims, selecting one that was retained prior to granting of the reissues, and one from each of the two reissues. After a comparison of the subjects matter of these claims retained with the claims disclaimed, we shall further consider the applications of the doctrines of the *Maytag* case.

We shall first compare the claim retained in the original patent before reissue, with a claim disclaimed. Claim 9 retained, compares with claim 7, disclaimed, as follows:

**Original Claim 7  
Disclaimed.**

- (1) For use in a machine for cutting designs in shoe uppers the combination including
- (2) movable die supporting means,
- (3) a cutting die with up-standing cutting edges mounted thereon,
- (4) said die and supporting means constructed and arranged to support flatwise without buckling a portion of a shoe upper in which a design is to be cut
- (5) with another portion of the upper draped about a lateral side of said die and support,
- (6) and guiding means on said support arranged to co-operate with
- (7) a guide on a supporting bed whereby the die and support may be guided from a work placing to work operating position.

**Original Claim 9 Retained  
in Original Patent.**

- (1) A cut out machine for operating upon boot and shoe uppers, having
- (2) and movable work supporting means
- (3) cutting means
- (4) constructed to support a portion of a closed upper to be cut and
- (5) to protect a portion of said upper not to be cut.

Freeman disclaimed the combination for use in a cut-out machine of the die support, the die, the work area, the side areas, and guiding means for the die support. So much the public was entitled to make: *Altoona Publix T. Co. v. American Tri-Ergon Co.*, *supra*.

But the public could not possibly make and use this machine without infringing claim 9 that Freeman retained. For he had retained an even broader claim than the one disclaimed.

An additional comparison of claims to which peculiar interest attaches, because of statements made by Freeman before the Supreme Court, is that of original claim 6, which was disclaimed, and original claim 87, which appears in reissue 20,203 as claim 32. Claim 6 was taken by the First Circuit as representative of machine claims which it held invalid, and claim 87 was taken as representative by the Eighth Circuit in the first *Freeman v. Altwater* suit at 66 F. (2d) 506.\* Claim 87 was, of course, retained for the interval of one month between the date of disclaimer and the date of reissue, and was, thereafter, reincorporated in reissue 20,203.

A graphic comparison of claims 6 and 87 shows:

**Claim 6**  
**Disclaimed.**

For use in a machine for cutting designs in shoe uppers, the combination including

**Claim 87**  
**Retained** (Reissue 20,203,  
claim 32).

In a die press, the combination with

a bed,

a pressing member and

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\*Hence claim 87 is one of the claims that Freeman averred in the *Pre-mier* complaint were "the same or broader than the claims of the patent here in suit." See *supra*, p. 21.

work supporting means,

a work cutting unit with upstanding cutting edges mounted thereon,

said work supporting means and work cutting unit constructed with a top portion to support in a substantially flat manner a portion of the shoe upper in which a design is to be cut and

with lateral sides so shaped that the upper may be draped thereabouts, without buckling the shoe upper while the design is cut therein.

of a work supporting member on said bed, adapted to fit inside of a made shoe upper provided

a cutting out tool supported other than by the pressing member,

with a work supporting surface, elevated above the bed, upon which the portion of the upper to be operated upon is positioned flatwise, and

provided with a depression below the elevated surface in which another portion of the upper may be positioned by at least one hand holding the work on the work support.

The only difference between the substance of these two claims is that claim 87 includes the bed and the pressing member. But no one has ever seen a die that could be used without a bed and a pressing member, so these two limitations mean nothing in reality. A die without a pressing member is like a nail without a hammer. To claim that adding a bed and pressing member to a die gives a new combination is like claiming that employing a wall and a hammer with a nail produces a new combination. Moreover, the Court in the *Premier* decision flatly held that Freeman did not invent a new machine.

In the previous *Freeman v. Altvater* suit the respondents in their brief before the District Court made the following statement, which is precisely in line with what we have said above (R. 505):



"\* \* \* this art shows that both a movable and a fixed work support in die presses are old, that both dies coming down through the work and dies moving up through the work are old, and that dies which are a part of the work support and dies which are separate from the work support are old."

What more persuasive, if not conclusive, indication could be desired than this free statement of the respondents deliberately made in writing before the court that the pressing member and the die are old and well known in the art?

If that is not enough, then, we may refer to the free and deliberate statements of the respondents when they appeared before the Court of Appeals in the first case. In that brief on page 6 (R. 507) they said:

"He used the former system of the flat bed machines which he had been selling and which did the cutting out of flat work, to provide for giving a hammer blow to the die against the work.

"He arranged that the die should not move with the hammer or plunger, but should be independent of it, thus permitting adjustment of work and die prior to striking the blow. *In this he also followed the former flat bed machines.*" (Emphasis added.)

So that it makes no difference that any claim retained includes the presser member or that it recites that the die be mounted independently of the presser member. It is not necessary to refer to the abundant prior art, such as the Newton patent No. 1,439,019 (R. 748, 903), which unmistakably shows a cutting die mounted independently of the presser member. Respondents before the Court of Appeals said concerning the Knight press, which was before the court below (R. 508):

"\* \* \* those features in the Knight Patent which Freeman incidentally employed, to wit, the sliding work holding member with the die upon it for use



with a cutting press, *are the same as Knight* instead of different from Knight \* \* \*." (Emphasis added.)

Of course, no one could look at any of these prior art devices, such as the Newton patent or any of the other patents, without seeing at once the truth of the fact that in practically every case the die is mounted upon a bed independently of a plunger, but it is peculiarly appropriate to have these deliberate statements of the respondents that such is true.

We have previously referred to the peculiar significance of a comparison of claim 6 with claim 87, because Freeman in his petition for certiorari from the decision of the First Circuit chose to compare these two claims on the theory that the two claims are identical in subject matter. In that petition, which has a definite relationship to this suit because of the effort to compare the action of the Eighth Circuit with that of the First, Freeman represented to the Supreme Court as follows (present record p. 826):

"A reading of these two claims shows that claim 87 includes the press, claim 6 calls for a die device for use in a press. Both involve the concept of providing means for laying a part of a curved piece of work flat, in a pre-arranged relation to a cutting element, with the parts distorted by this flattening operation and the other curved portions of the work draped out of the way, and held there. Under such circumstances the stamp or press head operation is subsequent to the positioning of the work, and cannot disturb its relation to the die. No such association of the work with the die would be possible if the cutting edges were on the movable press head."

The theory of this argument and, indeed, the theory of the whole petition for certiorari was that this Court held valid claim 87, whereas the First Circuit held invalid claim 6, which was to the same subject matter.

Stated differently, Freeman's theory was unequivocally expressed that, if claim 6 is invalid, as was held by the First Circuit, claim 87 is also invalid, although according to his theory claim 87 had been held valid by the Eighth Circuit.

Of course, in truth the validity of claim 87 was not ruled on by the Eighth Circuit, so that when claim 6 was held invalid and disclaimed there was no excuse not to disclaim claim 87, the validity of which had never been established by any other circuit.

As to the use of these statements in the prior *Freeman-Altwater* suit between these parties, the case of *American v. Anchor*, 278 F. 670, 671, said:

"Where a patentee had secured a decree from one court sustaining his patent on a particular theory advanced by him, he cannot in another suit, in which the evidence disclosed anticipation on that theory, abandon it, and successfully contend for an inconsistent theory."

See also *Minerals Separation v. Butte*, 250 U. S. 336, 63 L. ed. 1019, 1027.

The third claim we choose for comparison is original claim 19, retained and appearing in reissue 20,202 as claim 7. A graphic representation of claims 79 and 19 (claim 7 of reissue 20,202) is:

**Claim 79**  
**Disclaimed.**

**Claim 19**  
**Retained (claim 7 of reissue**  
**20,202).**

In combination, a cutting die provided with upwardly extending cutting edges, and

A support for shoe upper material and

a holddown plate provided with one or more apertures to admit the cutting edges of the die, said holddown plate being pivotally attached to the die adjacent to one extremity of the holddown plate. a clamping member co-operating therewith constructed and arranged to provide a preliminary yielding engagement permitting adjustment of the material, and subsequently a firm holding engagement therewith.

Claim 19 has only two elements, one merely functionally stated. It recites a support for shoe uppers, and a clamp provided a preliminary yielding engagement for adjustment of the material, and a subsequent holding engagement.

The preliminary yielding engagement is one wherein the mask is dropped over the work but rests loosely enough to enable the work to be aligned with the gauge. Thus this is the gauging function. The holding engagement then is effected by tightly pressing the mask against the work to effect the clamping function.

Of course, all clamp gauges must operate in this precise way. If the work is tightly clamped it cannot be moved for adjustment and gauging. Any pivoted clamp plate, such as the Knight and Newton patents had, does the same thing.

Freeman disclaimed the pivoted clamping plate. Claim 79 recited a cutting die and a pivoted clamping plate. When this specific method of clamping was disclaimed, certainly the very broad concept of clamping in claim 19 could not be properly retained.

\* \* \* \* \*

If any one of the retained claims, such as any of the three above discussed, is found indistinguishable over any one of the claims disclaimed, the entire Freeman monopoly must be held invalid for improper disclaimer, as this Court has conclusively held.

The original patent No. 1,681,033, therefore, became conclusively invalid as of the date of the disclaimer—a month prior to granting of the reissues, and hence one month prior to the effective date of surrender of the original patent (R. S. 4916).<sup>\*</sup> The rule of the *Maytag* case permits no other finding. If there is one claim retained in a patent that, even though different in words, is not definitely distinguishable in subject matter from any claim that is disclaimed, the entire patent fails because of the failure to fulfill the requirement of the statutory law, R. S. § 4922.

#### **4. Invalidation of the original patent for improper disclaimer left nothing upon which to base a reissue.**

When the original patent became invalid there was nothing left upon which to base a reissue. The entire patent was completely unenforceable, it having fallen under the penalty provision of the disclaimer act.<sup>\*\*</sup> The Patent Office would certainly not contribute anything by reissuing an unenforceable patent.

Therefore, as of November 1, 1936, the Freeman patent was certainly void and beyond revival.

#### **5. The reissues are invalid for including subject matter indistinct from that disclaimed.**

Two of the claims discussed heretofore as indistinct from those disclaimed were carried over into the reissues (Claim 87 as 32 in Reissue 20,203, supra, p. 27, and claim 19 as claim 7 of Reissue 20,202, supra, p. 31).<sup>\*\*\*</sup> If it be

<sup>\*</sup> "Such surrender shall take effect upon the issue of the reissue patent."

<sup>\*\*</sup>R. S. 4922, 35 U. S. C. 71: "Whenever . . . a patentee has . . . claimed to be the . . . inventor . . . of any material or substantial part of the thing patented, of which he was not the . . . inventor, (he) may maintain a suit . . . for infringement of any part thereof . . . if it is . . . definitely distinguishable from the parts claimed without right . . ."

" . . . But no patentee shall be entitled to the benefits of this section if he has unreasonably neglected or delayed to enter a disclaimer."

<sup>\*\*\*</sup>Many other of like calibre are discussed infra, p. 36.

argued the invalidation of the original patent for improper disclaimer did not render nugatory any reissues, then the following answer is given:

In the first place, the basis for granting reissues is that the patentee claimed too much by inadvertence, accident, or mistake. If the patentee's purpose in obtaining reissues is to repatent the same thing that he knew was indistinct from matter he had already disclaimed, he cannot urge inadvertence in having claimed it originally. Hence there is no basis for the reissues.

We have shown, for instance, that respondents, in the first *Freeman-Altwater* suit, repeatedly stated that the differences between claim 87 and claim 6 were all old. Freeman knew that claim 87 was not distinct from the disclaimed claim 6. How, then, could he claim that there was inadvertence, accident or mistake in originally claiming claim 6 when he planned to repatent the same subject matter in his reissue?

Also, Freeman knew that the anvil had been held invalid by the *Premier* decision, and he disclaimed it. Yet, when he obtained his reissues he said (R. 468) to his licensees:

"As we view the matter, the patent situation under which you are licensed is improved by this change and applies to the same dies, and this letter is to advise you that your license will apply in the future to these Reissue patents, instead of the one recited in the license."

Freeman never expected to give up anything when he sought the reissues. He certainly could not say there was any inadvertence, accident, or mistake in the scope of the original claims when he admittedly covered the same thing in his reissues.

We submit that the reissues are wholly invalid because there was no real inadvertence, accident or mistake upon which to base them.

In the second place, the reissue statute cannot be used as a means to avoid the penalties provided for failure to comply properly with the disclaimer statute. The latter statute provides that a patent is valid as to patentable parts if unpatentable parts are disclaimed, and enforceable as to the good parts only if the bad parts are *promptly* disclaimed. In other words, as this Court held in the *Maytag* case, a patent is invalid where an improper disclaimer is filed.

Freeman attempted to take advantage of the beneficent phase of the disclaimer act, without paying the price of disclaiming fully. This rendered his patent void under the *Maytag* rule. But he contended that he saved his patent under the reissue statute, despite having repatented the same thing he disclaimed. Obviously, the reissue statute cannot be used to perpetrate such a deception.

In the third place, the reissue statute cannot be used as a means to forestall and preclude a court from ruling on the propriety of a disclaimer. After a disclaimer, a defendant has a right to have a day in court on whether the disclaimer complied with the *Maytag* rule. This right cannot be destroyed by the *ex parte* action of the patentee in getting reissues from the Patent Office. If it could, then any patentee could disclaim only partially and inadequately, and then by obtaining a reissue, as here, reclaim the same matter, but clear of any criticism in the light of the *Maytag* rule.

Therefore, the conclusion must be reached that the reissues are invalid for claiming matter indistinct from that disclaimed, regardless of whether the invalidity of the original patent for improper disclaimer rendered them invalid as without any basis.

6. The reissues are invalid even if the *Maytag* rule is not applied.

If the effect of the improper disclaimer, contrary to our above reasoning and application of the *Maytag* case, is not to invalidate the patents *ab initio*, the *Premier* invalidation and the disclaimer nevertheless do invalidate the claims of the reissues taken one by one.

(a) *Claims carried over into the reissues.*

Fortunately, although the reissues carry over thirty-seven claims from the original patent, there is a great multiplication of claims on little details, so that we are able to group claims and are not forced to consider each minutely.

(1) *Claims retained and appearing in Reissue 20,203.*

Claim 1 of reissue 20,203 (Or.\* cl. 2) is only the structure held invalid, and disclaimed in claim 6. The only additions are the familiar pressing member and the mounting of the die independently thereof. Need it be recalled that all die presses have these two elements? Need it be recalled that Knight and Newton clearly have them (R. 902)? Need it be recalled that plaintiffs boldly stated in their briefs in the first *Freeman-Altwater* case that in using these Freeman followed the prior art?

Claim 1 is hopelessly invalid. How the Patent Office could have allowed it, if they actually studied it, is beyond comprehension.

The extraordinary thing is that Freeman multiplied the recitations of claim 1 and included claims 2 (Or. 3), 3 (Or. 4), 4 (Or. 5), 9 (Or. 27), 10 (Or. 34), 18 (Or. 44), 19 (Or. 46), 21 (Or. 61), 26 (Or. 78), 28 (Or. 82), 29 (Or. 83), 30

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\*Or. cl. 2 equals Claim 2 of the Original Patent, which patent appears at R. 115.



(Or. 84), 31 (Or. 85), 32 (Or. 87) and 33 (Or. 88). These claims recite the same thing in varying words.

The above group of claims are hopelessly invalid since the decision and disclaimer.

Another group of claims is represented by claim 5 (Or. 20), reciting a clutch locking means. All of these presses, without notable variation, have one-revolution clutches. Die presses in the shoe art and those other arts that have close relationship to shoe manufacture have one-revolution clutches, with all the details here claimed (R. 904). See Schwalbach's patent, Leavitt 620,659, and Furber (R. 904, 905, 907, 910).

Thus, following the invalidation and disclaimer of the heart of the Freeman patent, the elevated anvil, the mere addition of the familiar one-revolution clutch cannot make claims 5 (Or. 20), 6 (Or. 21), 7 (Or. 22), 8 (Or. 23), 15 (Or. 40), 16 (Or. 41), 17 (Or. 42), or 20 (Or. 53) valid.

A third group of claims differs from those held invalid only by the addition of backing material. Backing paper has been used for years prior to Freeman in these perforating machines. For instance (R. 909), Newton discloses backing paper. It has no more function with an elevated anvil than it does with a flat bed die. Claims 12 (Or. 36), 13 (Or. 37) and 14 (Or. 39) cannot possibly be sustained by the addition of old backing material functioning in its familiar way.

Another group of claims is directed to the structure of the third set of claims held invalid by the First Circuit, viz., those directed to the guides for withdrawal of the work from beneath the press head. Of these, the First Circuit said (84 F. [2d] 430):

"All these claims are clearly invalid."

Claim 94 was one of these invalidated and disclaimed claims. Reissue claim 23 recites a die, a support, a bed, and broadly defines the guides as locating and clamping

means operable regardless of the width of the die. Therefore, reissue claim 23 does not recite any structure not disclaimed, and is clearly invalid. This structure was present in the Knight machine operated before the district court (R. 912). This group of "clearly invalid" claims includes 23 (Or. 64), 24 (Or. 76) and 25 (Or. 77).

One additional claim, oddly appearing in this reissue rather than 20,202, is 27 (Or. 80). It recites a pivoted holddown plate extending to a position out from under the press head so that it can be held by the operator. Original claim 79, disclaimed, recited the pivoted clamping plate. The only difference in the two claims is that reissue claim 27 positively recites the extending characteristic of the plate. But Knight dies (Exs. F and H) had this feature very clearly, and it is not seen how the retained claim can possibly be justified as valid thereover.

Claim 11 claims a "combination" of a leg for holding up the end of an overhanging die, and a work gauge on the die. Obviously it is not invention to hold up a projecting part. At least putting legs under tables is at best of doubtful patentability these days. Otherwise, the claim is completely invalid in the light of the Premier decision, the disclaimer, and the prior art such as Stanbon (R. 690) and Newton (R. 750)..

Claim 22 professes patentability in a pin and hole locating and holding means, just because used with a die. No comment is even necessary.

The Court has doubtless realized that the above detailed discussion of claims is, in a way, a development of the previous section applying the *Maytag* rule. The obvious unpatentability of all of these claims, or any of them, over claims disclaimed renders the entire patent void under the *Maytag* case doctrine. If the Court prefers to compare any of the above in place of those we selected in the section on the *Maytag* doctrine, the same result will obtain.

Undoubtedly, invalidation by the First Circuit of all machine claims, including those to the elevated anvil, and Freeman's disclaimer thereof, constituted, in the words of *Ross v. Fuller & Warren*,\* a "hopeless paralysis to all the rest."

(2) *Claims retained and appearing in reissue 20,202.*

Only one claim not actually adjudicated by the First Circuit was carried over into Reissue 20,202 from the original patent. Claim 7 of the reissue is original claim 19.

We have already above discussed that this broad claim recites subject matter wholly disclaimed with claim 79.

(b) *New claims appearing in the reissue are unpatentable.*

(1) *Reissue 20,203.*

There are seven claims in Reissue 20,203 which have not heretofore appeared in the original Freeman patent. Claims 34 and 35 are hybrid claims and claims 36-40, inclusive, are method claims.

Claims 34 and 35 are clearly improper. They constitute nothing more than an effort to claim the invalid anvil die in a particular use on closed uppers with linings. In other words, these claims constitute an attempt to claim the specific structure held invalid by stating an alleged use for it. One of the most fundamental rules of patent law is that it is not invention to use an old machine in a new way. It was so held positively in the *Premier* case. These two claims are clearly invalid.

Claims 36-40 are method claims. It is fundamental in reissue law that claims in a reissue must have been left out by mistake and that new claims cannot be added, un-

\*105 Fed. 510.

less the original specification shows a clear intention to claim that subject matter.

*James v. Campbell*, 104 U. S. 356, 24 L. ed. 786;

*Eachus v. Broomall*, 115 U. S. 429, 29 L. ed. 419;

*Freeman v. Asmus*, 145 U. S. 226, 36 L. ed. 685.

It is completely evident that Freeman had no intention at any time during the eight years of life of the original patent that it should be directed to anything but a machine. The original specification in patent 1,681,033 has no mention anywhere of any intention to claim a method. It is peculiarly clear in its intent to claim only a machine. Indeed, the original specification states, column 1, page 1, line 46:

"My present invention is intended to obviate the difficulties above noted in manufacturing openwork shoes, and enable these shoes to be made by a new process as explained in the patent granted to B. B. Brodfuehrer, No. 1,605,916, dated November 9, 1926; and my Patent No. 1,675,295, granted to me June 26, 1928.

"The machine of my present invention is directed to perform the cutting out operations for openwork shoes, following any design desired, as a machine action, \* \* \*."

Freeman stated in his original specification that it was limited to a machine because the method was in other patents.

Therefore, the present effort to claim method claims is one that can find no basis in the original specification. These claims are manifestly to a different invention than that of the original patent, and are invalid.

It further seems evident that the method claims are invalid, because they are merely for a different use of the invalid anvil die. Every strictly method step in each of these claims is unquestionably old. Thus, claim 38, for

example, recites the steps of securing upper blanks and lining together, which is, of course, old. It recites supporting the work piece about a cutting die with a portion flatwise which is, of course old. It recites draping the remainder of the work about the sides of the die, which was old in the Wright patent, as the First Circuit held, but even as a method step is merely the use of the invalid anvil die. The claim recites gauging the work and then moving it under the press and then effecting the die cut. All of this is old in the Knight machine. It finally recites the step of assembling the work piece with other parts of the shoe, which has absolutely nothing to do with the die cutting operation and is always done, of course, in all shoes.

It must be remembered that, while the First Circuit suggested that any invention at all that Freeman made was more a method than a machine, nevertheless it absolutely refused to pass upon the validity of the method idea.

Whether one take the Freeman reissue claims one by one and find them invalid, because they are not patentably distinguishable from the reasoning of the First Circuit or foreign to the original disclosure, or whether one take the more direct route and hold the patent invalid because of the sheer and apparent impropriety of the disclaimer, the result is the same. Freeman's monopoly is completely gone.

(2) *Reissue 20,202.*

Something of the careless treatment accorded these reissues by the Patent Office may be gleaned from the fact that in the first column on page 3 of reissue 20,202 at line 13, reference is made to Figs. 16 and 17. There are no such Figs. in the reissue.\*

Claim 2 of this reissue includes a clamping mask with-

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\*The reissue patents issued as filed without any rejection or citation of art by the Patent Office (R. 212-a).

out any recitation of a gauging function. The claim merely recites a stripper, a clamping mask having means partially surrounding that portion of the upper being ornamented and shaped to correspond with portions of the shoe upper design. This is the exact structure about which the court in the First Circuit said (430):

“The mere use of a window in the clamp or of a straight (or) curved edge in or connected with the clamp for gauging purposes did not involve invention in view of the prior art.”

Merely to shape the window in a general way like the design to be cut out is insufficient, as the First Circuit said. That is all this claim recites.

Claim 3 is exactly the same. It recites merely clamping means with a window.

Claim 7 of the reissue, as we have previously discussed, is the same structure that was disclaimed in claim 79.

Thus, at least three claims of reissue 20,202 are indistinct from the subject matter disclaimed, and render the whole reissue void, under the *Maytag* rule. And as for the remaining claims, if they involve subject matter indicated as patentable by the First Circuit, it was intimated to be invalid by the Eighth. This subject matter is the combination of an old gauging edge on a clamping plate to one of the edges of the window of an old window type clamp.

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It is our position that the reissues are invalid as a whole because (a) the original patent became invalid prior to their grant for reasons not the basis for granting reissues, viz., the filing of an improper disclaimer under the *Maytag* rule; or (b) the repatenting of the disclaimed subject matter in the reissues rendered them invalid under the *Maytag* rule, even if reason (a) be not followed. But



if neither reason for total invalidation be followed, the reissues are, nevertheless, invalid when the claims are taken one by one and considered with the prior art.

Undoubtedly the District Court was right in holding them invalid. They should not be left in the way of the public, particularly since respondents have used them as the basis for improper monopolies beyond even their apparent scope.

## **II. The Court of Appeals Established Improper Law as Its Bases for Its Reversal of the District Court. This Should Be Overruled.**

It is obvious from the foregoing discussion regarding the invalidity of the reissue patents that the decision of the District Court was well grounded and should be affirmed. That Court supported each ground of invalidity. The Circuit Court of Appeals was in error in reversing the District Court on the counterclaim.

While it is true that the reasons by which a court arrives at a judgment are not appealable, nevertheless, in the present case the Court of Appeals by its reasoning established as the law of the Eighth Circuit that where a decision of noninfringement of the articles accused in the complaint is found, all other issues become moot, and that invalidity cannot be adjudged, even when made the issue of a counterclaim which sets up a large scheme of improper uses of the patent in suit, and sets up a distinct issue as to articles other than those accused by the bill that admittedly infringe if the patent is valid.

*Inter alia*, the Court based its ruling upon an improper interpretation of a decision of this Court, *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241.

Since this ruling of the Court of Appeals below widely affects both private and public interests, it is submitted that it should be specifically reversed. In short, the Court



of Appeals erred in not holding that invalidity may be determined with or without a finding of noninfringement, and that a counterclaim for a declaration of invalidity is proper in a suit for infringement.

**1. *Electrical Fittings Corp. v. Thomas & Betts Co.* does not support the Court of Appeals refusal to decide invalidity.**

In the present case the Court of Appeals held that once it decided noninfringement, all other issues dissolved, and that it could not then decide invalidity. This logic puts a party to the peculiar burden of always stating his most desirable defense first, because otherwise the Court will stop adjudicating before it gets to it, if it sustains any preceding defense.

The Court of Appeals assumed authority for this ruling to lie in the decision of this Court, *Electrical Fittings Corporation v. Thomas & Betts Co.*, 307 U. S. 241. That decision has been subjected to a number of wrong interpretations.

*Richard Irvin & Co. v. Westinghouse Air Brake Co.*,  
121 F. (2d) 429;

*Aero Spark Plug Co. v. B. G. Corporation*, 130 F.  
(2d) 290;

*Aluminum Co. v. Thompson Products*, 122 F. (2d)  
796;

*American Seating Co. v. Ideal Seating Co.*, 124 F.  
(2d) 70.

It is submitted that this Court in the *Electrical Fittings* case, decided *only* that the decree on bill and answer should not decide the case for one of the parties, and at the same time make a holding for the other party that could not influence the decision on the main case, as then the winning party is put to the necessity of appealing the point held

against him, lest it become *res adjudicata*. Thus, the decree should not adjudge the patent valid, but not infringed, as the defendant would then have to appeal from the decree of invalidity, to avoid *res adjudicata*, although he had won the suit. See *Oliver Sherwood Co. v. Patterson-Ballagh Corp.*, 95 F. (2d) 70, which was one of the conflicting decisions resulting in grant of certiorari in the *Electrical Fittings* case.

That is all that the *Electric Fittings* case decided. See Judge Frank's concurring opinion in the *Aero Spark Plug* case (which opinion also points out that if a choice between invalidity and noninfringement is to be made, there is abundant reason to prefer the choice of invalidity). The problem of *res adjudicata* is specifically waived by a defendant who counterclaims for declaration of invalidity.

It is probably desirable to permit the lower courts to choose whether they will adjudicate patents invalid or not infringed, or both, where the case is tried *only* on bill and answer. However, if defendant counterclaims under the Declaratory Judgment Act, for a declaration of invalidity of the patent, then he has merely taken advantage of a right granted him by that Act, and the court should be required to decide invalidity. This is perhaps particularly true in patent cases, where the public can gain relief from improper patents only through private litigation.

And in no case, whether there is a counterclaim or not, was the Court below justified in holding itself *foreclosed* from adjudicating invalidity merely because it found noninfringement, on any theory that such foreclosure results from the *Electrical Fittings* case.

**2. The Court of Appeals erred in denying petitioners a right to counterclaim for invalidity.**

The Court of Appeals also erred in holding that petitioners did not have a right to counterclaim for invalidity of the patent. This is true (a) generally, (b) particularly where the patents have been improperly used, and (c) undoubtedly where the counterclaim raises issues beyond those made by the bill.

**a. *A defendant has a right to counterclaim for invalidity under the Declaratory Judgment Act.***

On the first point, the question is whether a defendant has the right to counterclaim, to insist upon an adjudication of invalidity of a patent, where invalidity is a defense to the bill, and hence an issue already without the counterclaim. Needless to say, the counterclaim arises under the Declaratory Judgment Act, and the question here involves interpretation of that Act.

It is now well established that a putative and accused infringer has a right to an independent declaratory suit for declaration of invalidity. *United States Galvanizing & Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co.*, 104 F. (2d) 856 (C. C. A. 4), and cases cited. It is also true that a defendant may, and frequently must, set up claims against the plaintiff by counterclaim. Therefore, there seems to be no valid reason why a defendant may not seek a declaratory judgment of invalidity, even when validity is at issue under bill and answer. The present case is adequate illustration of the fact that validity might not be determined, however strongly argued on bill and answer.

The decision of the Circuit Court of Appeals below holds that no such counterclaim will be allowed—or at least that

it is not enforceable. This decision is supported only by certain district court decisions, including:

*Scruggs v. Casco Corp.*, 32 F. Supp. 625 (apparently overruled by *Lances v. Letz* (C. C. A. 2), 115 F. (2d) 916);

*Cheney Co. v. Cunningham*, 29 F. Supp. 847;

*Hann v. Venetian Blind Corp.*, 15 F. Supp. 372.

However, all Circuit Courts of Appeals decisions found support use of counterclaims for invalidity.

*Leach v. Ross Heater & Mfg. Co.*, 104 F. (2d) 88 (C. C. A. 2);

*Yardley v. Houghton Mifflin Co.*, 108 F. (2d) 28 (C. C. A. 2);

*Slayter & Co. v. Stebbins-Anderson Co., Inc.*, 117 F. (2d) 848 (C. C. A. 4);

*Dominion Electrical Mfg. Co. v. Edwin L. Wiegand Co.*, 126 F. (2d) 172 (C. C. A. 6).

Also, the late decision of this Court, *Sola Electric Co. v. Jefferson Electric Co.* ... U. S. ..., 87 L. ed. 150, established the right of a defendant to counterclaim for invalidity. In that case the lower courts had dismissed the counterclaim, on the grounds that the defendant, being a licensee, was equitably estopped to contest validity of the patent. The license included price control, and as a result, according to this Court, there was no estoppel. Hence, this Court reversed, ordering the dismissal of the counterclaim to be set aside.

The main point in the *Sola* case was that of the estoppel. But the decision of this Court is certainly precedent for the use of counterclaims for declarations of invalidity.

Reasons for allowing the counterclaim are:

(1) It is clearly within the provisions of the Declaratory Judgment Act. It does not appear that a court has a right to deny it in view of this legislative provision.

(2) A defendant may have much at stake in a patent suit that will be left undecided by a mere ruling that certain devices do not infringe. At best, he runs the chance of having to undergo a second patent suit. He may have a defense of invalidity which is incapable of later repetition, due to circumstances beyond his control, such as deaths.

(3) There is the ever-present public interest, in having invalid patents done with promptly.

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In fine, regardless of what a court may find it desirable to decide in the absence of a counterclaim, it certainly seems that a defendant willing to chance the hazard of a ruling of validity, becoming *res adjudicata* against him, by filing a counterclaim, should be given his ruling.

b. *If a court has choice of refusing a declaratory counterclaim for invalidity, misuse of the patents compels entertaining of the counterclaim.*

On the second point, wherein the counterclaimant for invalidity also sets up an improper use of that patents by the plaintiff, there exists an even stronger reason to support the counterclaim. The defendant has the right to be freed from the effect of the improper competition, and most certainly the public has that right.

These reasons are persuasive—things that should weigh with any court exercising an option as to whether to decide validity or not, as in cases where no counterclaim is present. However, we do not see that, in cases where a counterclaim is filed, the court has any option. The counterclaim is proper or improper, regardless of whether there are strong reasons or weak reasons for the court's being glad it was filed to furnish an opportunity of ruling on validity.

On the facts, the *Sola* case is closer to the situation here discussed than the one first discussed, since in the *Sola* case there was a potential misuse of the patent and here an actual one. Certainly if there is any option in a court as to whether to entertain a counterclaim for invalidity, then the *Sola* case is full authority requiring exercise of that option in favor of the counterclaim in the present case, where misuse of the patent exists.

*c. In any case, the present counterclaim, raising different issues, should not have been dismissed.*

On the third point, the Court erred in deciding that it can arbitrarily reverse any decision. The counterclaim in the suit at bar actually went far beyond the issues of bill and answer. Hence, regardless of the foregoing reasons for reversing the Court of Appeals, reversal must necessarily follow in this case.

The Court of Appeals decided only that two dies, upon which petitioner never paid royalty, did not infringe, and therefore did not require payment. This decision has no bearing upon the liability of petitioner as to hundreds of other dies that admittedly infringe, and continue to infringe even in the face of the decision of the Court of Appeals.

The Court of Appeals offered no criticism of the counterclaim as not proper under the rules of civil procedure. Hence, its action can be characterized only as ill-considered. If deliberate, it would have been arbitrary.

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The dismissal of the counterclaim on the theory that the decision of invalidity rendered all other defenses by answer or counterclaim moot, was improper because (a) it involved an abortive interpretation of the *Electrical Fittings* case, (b) under the Declaratory Judgment Act and rules of civil procedure, there is a clear right in a de-

fendant to counterclaim and thereby insure judgment on validity, (c) if there is any option in the courts as to whether or not they will entertain declaratory judgment claims, or counterclaims, then the presence here of improper use of the patents is a controlling reason for entertaining such claims or counterclaims, and (d) in any case, a court cannot dismiss a counterclaim that invokes issues beyond those of bill and answer, on any theory that decision of a narrow point on bill and answer renders the issues of the counterclaim moot.

### **Conclusion.**

The litigation between these parties has been going on since February 26, 1930. It has outlived one of the counsel, one special master, one District Judge, and one Court of Appeals Judge. It is to be hoped that it is finally approaching a conclusion.

During that entire time, respondents have been exercising their improper monopolies. The District Court adjudged the practices improper, and employed the one effective means for putting a stop to them—the declaration of invalidity of the reissues. These practices were given new life by the reversal of the judgment on the counterclaim. Unless this Court acts now, it is practically an assured fact that the monopolistic activities will continue throughout the whole illegitimate life of these patents.

Respectfully submitted,

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